

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6356

BILL NUMBER: HB 1304

NOTE PREPARED: Jan 1, 2009

BILL AMENDED:

SUBJECT: Type II Gaming License Renewal Fees.

FIRST AUTHOR: Rep. Tyler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the fee for renewing a Type II Gaming Retailer's Endorsement is \$250. The bill repeals the renewal fee structure that is based upon the previous year's adjusted gross revenue.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary* - The bill repeals the graduated renewal fee schedule for a Type II gambling games endorsement specified below under *Background Information* and replaces it with a flat fee of \$250. Type II gambling at taverns is in its first year of operation. As of December 18, 2008, 1,104 taverns have obtained endorsements to conduct Type II gambling. However, the annual adjusted gross revenue (AGR) and endorsement renewal fees that these taverns might generate is unknown.

IF the taverns produce revenue from Type II gambling games similar to the revenue yields of charity organizations holding the PPT license, the change in the renewal fee structure could potentially reduce renewal revenue by \$40,000 to \$150,000 assuming the AGR generated by taverns ranges from 15% to 20% of the gross revenue.

Background Information - Type II Gambling: Current statute allows tavern owners with an endorsement on their retail alcohol beverage permit to conduct Type II gambling games. Type II gambling games are pull tab (ticket or card), punchboard, or tip board games. Taverns with the endorsement also can hold raffles and

winner-take-all drawings. The initial retailer's endorsement fee is \$250. The annual renewal endorsement fee is determined on the schedule below. Adjusted gross revenue (AGR) is equal to the gross revenue from Type II gambling game and raffle ticket sales minus: (1) the total value of game prizes awarded during the year; (2) the sum of the purchase prices of games dispensed during the year; and (3) the total license fees paid by the endorsement holder during the year. The minimum prize payout rate must be 60% for \$0.10 tickets; 65% for \$0.25 tickets; 70% for \$0.50 tickets; and 75% for \$1.00 tickets. The maximum allowable price for a single ticket is \$1.00. The Alcohol and Tobacco Commission administers and regulates Type II gambling, and revenue from the endorsement fee is distributed to the ATC's Enforcement and Administration Fund.

Annual AGR equals at least:	Annual AGR is less than:	Proposed Fee
\$0	\$15,000	\$50
15,000	25,000	100
25,000	50,000	300
50,000	75,000	400
75,000	100,000	700
100,000	150,000	1,000
150,000	200,000	1,500
200,000	250,000	1,800
250,000	300,000	2,500
300,000	400,000	3,250
400,000	500,000	5,000
500,000	750,000	6,750
750,000	1,000,000	9,000
1,000,000	1,250,000	11,000
1,250,000	1,500,000	13,000
1,500,000	1,750,000	15,000
1,750,000	2,000,000	17,000
2,000,000	2,250,000	19,000
2,250,000	2,500,000	21,000
2,500,000	3,000,000	24,000
3,000,000		26,000

PPT Analysis: The PPT license is a charity gaming license that allows a qualified not-for-profit organization to sell pull tabs, and punchboard and tip board chances, at any time on the premises owned or leased by the organization and regularly used for its activities. During 2008, 205 organizations were required to renew the annual PPT license and report gross revenue generated under the license for the prior year. The licensees generated \$67.9 M in gross revenue from pull tab, punchboard, and tip board sales, with the median yield equal to about \$134,300. The gross revenue distribution for PPT licensees (excluding outliers) was used to generate a distribution for 1,104 taverns. License fees were simulated using the estimated distribution and assuming AGR is 15% to 20% of the gross revenue.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: ATC.

Local Agencies Affected:

Information Sources: Larry Delaney, Indiana Gaming Commission, 317-233-8518.

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